
State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Filing at a Glance

Company:	Republic Underwriters Insurance Company
Product Name:	Standard Homeowners
State:	Arkansas
TOI:	04.0 Homeowners
Sub-TOI:	04.0003 Owner Occupied Homeowners
Filing Type:	Rate
Date Submitted:	03/20/2014
SERFF Tr Num:	TRGR-129463267
SERFF Status:	Closed-Filed
State Tr Num:	
State Status:	
Co Tr Num:	14-0223
Effective Date	05/15/2015
Requested (New):	
Effective Date	06/15/2015
Requested (Renewal):	
Author(s):	William Bradford, Michael McDowell, Jose Aguilar
Reviewer(s):	Becky Harrington (primary)
Disposition Date:	03/24/2014
Disposition Status:	Filed
Effective Date (New):	05/15/2014
Effective Date (Renewal):	06/15/2014

State Filing Description:

State: Arkansas **Filing Company:** Republic Underwriters Insurance Company
TOI/Sub-TOI: 04.0 Homeowners/04.0003 Owner Occupied Homeowners
Product Name: Standard Homeowners
Project Name/Number: Rate Revision/

General Information

Project Name: Rate Revision Status of Filing in Domicile: Not Filed
Project Number: Domicile Status Comments: Arkansas specific
Reference Organization: n/a Reference Number: n/a
Reference Title: n/a Advisory Org. Circular: n/a
Filing Status Changed: 03/24/2014
State Status Changed: Deemer Date:
Created By: William Bradford Submitted By: William Bradford
Corresponding Filing Tracking Number:

Filing Description:

On February 14, 2014, Republic Underwriters Insurance Company submitted a rate change request for its Homeowners program. The filing was for a +13.3% change based on an indication of +27.2%. Subsequently, on February 24, we withdraw the filing.

Due to the large rate need and our continued lack of profitability, we feel a delay of another six months would put undo financial stress on our Arkansas program. Therefore, we have updated the rate indications with data through 2013 and are requesting a more modest change of 5.9%. The revised indication is +16.2%. This filing proposes a uniform base rate increase across all territories.

Company and Contact

Filing Contact Information

William Bradford, Senior Products Filing Specialist
bill.bradford@republicgroup.com
5525 LBJ Freeway 972-788-6617 [Phone]
Dallas, TX 75240 972-788-6022 [FAX]

Filing Company Information

Republic Underwriters Insurance Company	CoCode: 24538	State of Domicile: Texas
5525 LBJ Freeway	Group Code: 3489	Company Type:
Dallas, TX 75240-6241	Group Name: Republic Group	State ID Number:
(972) 788-6001 ext. [Phone]	FEIN Number: 75-1221537	

Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00
Retaliatory?	No
Fee Explanation:	Independent rate filing
Per Company:	No

Company	Amount	Date Processed	Transaction #
Republic Underwriters Insurance Company	\$100.00	03/20/2014	80474435

State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/24/2014	03/24/2014

State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Disposition

Disposition Date: 03/24/2014
Effective Date (New): 05/15/2014
Effective Date (Renewal): 06/15/2014
Status: Filed

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Republic Underwriters Insurance Company	16.200%	5.900%	\$235,018	3,678	\$4,008,060	6.400%	3.400%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Form RF-2 Loss Costs Only (not for workers' compensation)		Yes
Supporting Document	H-1 Homeowners Abstract	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Actuarial memorandum and support	Filed	Yes
Rate	Base Rates	Filed	Yes

State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Rate Information

Rate data applies to filing.

Filing Method:	Prior Approval
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	15.000%
Effective Date of Last Rate Revision:	03/01/2013
Filing Method of Last Filing:	Prior Approval

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Republic Underwriters Insurance Company	16.200%	5.900%	\$235,018	3,678	\$4,008,060	6.400%	3.400%

State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 03/24/2014	Base Rates	B-1	Replacement	TRGR-128677281	Base Premiums.pdf

ARKANSAS HOMEOWNERS POLICY PROGRAM MANUAL

BASE CLASS PREMIUM TABLES

Territory	Description	Base Rate
1	Benton and Washington Counties	\$581
2	Carroll and Madison Counties	\$635
3	Baxter, Boone and Marion Counties	\$674
4	Fulton, Independence, Izard and Sharp Counties	\$703
5	Lawrence County	\$869
6	Clay, Greene and Randolph Counties	\$850
7	Crawford and Sebastian Counties	\$711
8	Conway, Franklin, Johnson, Newton and Pope Counties	\$681
9	Cleburne, Searcy, Stone and Van Buren Counties	\$674
10	Jackson and Woodruff Counties	\$919
11	Craighead County	\$828
12	Mississippi County	\$937
13	Logan County	\$704
14	Yell County	\$770
15	Faulkner County	\$642
16	White County	\$736
17	Cross, Lee, Poinsett and St. Francis Counties	\$902
18	Crittenden County	\$749
19	Montgomery, Polk and Scott Counties	\$791
20	Garland, Hot Spring and Perry Counties	\$712
21	Grant and Saline Counties	\$712
22	Remainder of Pulaski County	\$718
23	Lonoke County	\$712
24	Prairie County	\$792
25	Monroe County	\$852
26	Jefferson County	\$904
27	Arkansas County	\$757
28	Phillips County	\$1,004
29	Clark, Howard, Pike and Sevier Counties	\$759
30	Bradley, Calhoun, Cleveland, Dallas and Lincoln Counties	\$830
31	Desha County	\$931
32	Little River and Miller Counties	\$820
33	Hempstead and LaFayette Counties	\$893
34	Nevada and Ouachita Counties	\$893
35	Columbia County	\$796
36	Union County	\$796
38	Cities of Little Rock and North Little Rock (Pulaski County)	\$786
39	Hot Springs Village	\$613
40	Drew County	\$830
41	Ashley and Chicot Counties	\$1,015

State:	Arkansas	Filing Company:	Republic Underwriters Insurance Company
TOI/Sub-TOI:	04.0 Homeowners/04.0003 Owner Occupied Homeowners		
Product Name:	Standard Homeowners		
Project Name/Number:	Rate Revision/		

Supporting Document Schedules

Bypassed - Item:	Form RF-2 Loss Costs Only (not for workers' compensation)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	H-1 Homeowners Abstract
Comments:	
Attachment(s):	Form H-1.pdf
Item Status:	Filed
Status Date:	03/24/2014

Satisfied - Item:	HPCS-Homeowners Premium Comparison Survey
Comments:	
Attachment(s):	HO Survey FORM HPCS.pdf HO Survey FORM HPCS.xls
Item Status:	Filed
Status Date:	03/24/2014

Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	FORM RF-1 Rate Filing Abstract.pdf
Item Status:	Filed
Status Date:	03/24/2014

Satisfied - Item:	Actuarial memorandum and support
Comments:	
Attachment(s):	Filing Memorandum-AR HO3.pdf Filing Exhibit.pdf
Item Status:	Filed
Status Date:	03/24/2014

ARKANSAS INSURANCE DEPARTMENT

FORM H-1 HOMEOWNERS ABSTRACT

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Republic Underwriters Insurance Company
NAIC # (including group #) 24538

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.

Not applicable.

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.

Replacement Cost Estimator (from MSB) is used for new business only to determine appropriate values for new business. It is not possible to estimate the impact of program business because some new homes would have been under-insured and others over-insured when issued as new business.

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.

100% of the Dwelling Replacement Cost.

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.

The cost estimating systems furnishes the user with a guide for making general estimates of cost to replace specific types of residential construction. Annual changes are published based on residential cost index for zip codes and territories in Arkansas.

5. Specify the percentage given for credit or discounts for the following:

a. Fire Extinguisher	0%
b. Burglar Alarm	3%
c. Smoke Alarm	3%
d. Insured who has both homeowners and auto with your company	15%
e. Deadbolt Locks	0%
f. Window or Door Locks	0%
g. Other (specify) Mature Homeowner Credit (from 2% to 20%)	20%
Metal 5% & Hail Resistive Roof Credit (Class IV)	15%
Gated Community Credit	5%
New Home Credit (varies from 2% to 35%)	35%
Loss Free Credit (varies from 5% to 10%)	10%

6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance? If so, state the areas and explain reason for not writing.
No.
7. Specify the form(s) utilized in writing homeowners insurance. Indicate the Arkansas premium volume for each form.
- | Form | Premium Volume |
|----------------|---|
| HO-3 (special) | In-force WP as of 12/31/2013: \$4,008,060 |

AID PC H-1 (1/06)
Page 1 of 2

Form H-1 (1/06)
Page 2 of 2

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? ☐ Yes ☒ No

9. Is there a surcharge on risks with wood heat? Yes.
- | | |
|---|---|
| If yes, state the surcharge | Charge varies by tier up to 30% |
| Does the surcharge apply to conventional fire places? | Only if central or thermostatically controlled heating systems not available. |
| If yes, state the surcharge | If that is the case, up to 30% |

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature
William R. Bradford
Printed Name
Senior Products Filing Specialist
Title
972-788-6617
Telephone Number
Bill.bradford@republicgroup.com
Email address

AID PC H-1 (1/06)

NAIC Number:	24538
Company Name:	Republic Underwriters Insurance Company
Contact Person:	Bill Bradford
Telephone No.:	972-788-6617
Email Address:	bill.bradford@republicgroup.com
Effective Date:	5/15/2014 (NB); 6/15/2014 (Renewal)

**Homeowners Premium Comparison Survey Form
FORM HPCS - last modified August, 2005**

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE
BLANK**

Submit to: Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
Telephone: 501-371-2800
Email as an attachment to insurance.pnc@arkansas.gov
You may also attach to a SERFF filing or submit on a cdr disk

Survey Form for HO3 (Homeowners) - Use \$500 Flat Deductible (Covers risk of direct physical loss for dwelling and other structures; named perils for personal property, replacement cost on dwelling, actual cash value on personal property)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Desha		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000	\$585.00	\$653.00	\$678.00	\$757.00	\$834.00	\$930.00	\$909.00	\$1,014.00	\$938.00	\$1,046.00	\$801.00	\$894.00	\$826.00	\$922.00	\$716.00	\$799.00	\$792.00	\$883.00
	\$120,000	\$820.00	\$915.00	\$951.00	\$1,061.00	\$1,169.00	\$1,304.00	\$1,274.00	\$1,421.00	\$1,314.00	\$1,466.00	\$1,124.00	\$1,254.00	\$1,158.00	\$1,292.00	\$1,003.00	\$1,120.00	\$1,110.00	\$1,239.00
	\$160,000	\$1,064.00	\$1,187.00	\$1,234.00	\$1,376.00	\$1,516.00	\$1,692.00	\$1,653.00	\$1,844.00	\$1,705.00	\$1,903.00	\$1,458.00	\$1,627.00	\$1,503.00	\$1,677.00	\$1,302.00	\$1,453.00	\$1,440.00	\$1,607.00
6	\$80,000	\$677.00	\$751.00	\$785.00	\$871.00	\$965.00	\$1,071.00	\$1,052.00	\$1,167.00	\$1,086.00	\$1,204.00	\$928.00	\$1,029.00	\$957.00	\$1,061.00	\$829.00	\$919.00	\$917.00	\$1,017.00
	\$120,000	\$950.00	\$1,053.00	\$1,101.00	\$1,221.00	\$1,353.00	\$1,501.00	\$1,475.00	\$1,636.00	\$1,522.00	\$1,688.00	\$1,301.00	\$1,443.00	\$1,341.00	\$1,487.00	\$1,162.00	\$1,289.00	\$1,285.00	\$1,425.00
	\$160,000	\$1,232.00	\$1,366.00	\$1,428.00	\$1,584.00	\$1,756.00	\$1,947.00	\$1,914.00	\$2,122.00	\$1,974.00	\$2,190.00	\$1,688.00	\$1,872.00	\$1,740.00	\$1,930.00	\$1,507.00	\$1,672.00	\$1,668.00	\$1,849.00
9	\$80,000	\$1,324.00	\$1,601.00	\$1,535.00	\$1,856.00	\$1,887.00	\$2,281.00	\$2,056.00	\$2,487.00	\$2,122.00	\$2,566.00	\$1,814.00	\$2,193.00	\$1,870.00	\$2,261.00	\$1,620.00	\$1,959.00	\$1,792.00	\$2,167.00
	\$120,000	\$1,856.00	\$2,245.00	\$2,152.00	\$2,602.00	\$2,645.00	\$3,198.00	\$2,883.00	\$3,486.00	\$2,974.00	\$3,597.00	\$2,543.00	\$3,075.00	\$2,621.00	\$3,169.00	\$2,271.00	\$2,746.00	\$2,512.00	\$3,038.00
	\$160,000	\$2,408.00	\$2,912.00	\$2,792.00	\$3,376.00	\$3,431.00	\$4,150.00	\$3,740.00	\$4,523.00	\$3,859.00	\$4,667.00	\$3,299.00	\$3,990.00	\$3,400.00	\$4,112.00	\$2,946.00	\$3,563.00	\$3,259.00	\$3,942.00

Survey Form for HO4 (Renters) - Use \$500 Flat Deductible (Named perils for personal property, actual cash value for loss, liability and medical payments for others included)

Public Protection Class	Property Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$5,000																		
	\$15,000																		
	\$25,000																		
6	\$5,000																		
	\$15,000																		
	\$25,000																		
9	\$5,000																		
	\$15,000																		
	\$25,000																		

Survey Form for DP-2 (Dwelling/Fire) - Use \$500 Flat Deductible (Named perils for dwelling and personal property; replacement cost for dwelling, actual cash value for personal property, no liability coverage)

Public Protection Class	Dwelling Value	Washington		Baxter		Craighead		St. Francis		Arkansas		Union		Miller		Sebastian		Pulaski	
		Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame	Brick	Frame
3	\$80,000																		
	\$120,000																		
	\$160,000																		
6	\$80,000																		
	\$120,000																		
	\$160,000																		
9	\$80,000																		
	\$120,000																		
	\$160,000																		

SPECIFY THE PERCENTAGE GIVEN FOR CREDITS OR DISCOUNTS FOR THE FOLLOWING:

HO3 and HO4 only

Fire Extinguisher	0 %	Deadbolt Lock	0 %
Burglar Alarm	3 %	Window Locks	0 %
Smoke Alarm	3 %	\$1,000 Deductible	14 %
		Other (specify)	
			%
		Maximum Credit Allowed	%

EARTHQUAKE INSURANCE

IMPORTANT, homeowners insurance does NOT automatically cover losses from earthquakes. Ask your agent about this co

ARE YOU CURRENTLY WRITING EARTHQUAKE COVERAGE IN ARKANSAS? Yes (yes or no)
WHAT IS YOUR PERCENTAGE DEDUCTIBLE? 5 %

	Zone	Brick	Frame
WHAT IS YOUR PRICE PER \$1,000 OF COVERAGE?	Highest Risk	\$ 2.47	\$ 2.17
	Lowest Risk	\$ 0.78	\$ 0.29

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	14-0223
----	---	---------

2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
----	---	-----

Company Name		Company NAIC Number	
3.	A. Republic Underwriters Insurance Company	B.	24538

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. 04.0 Homeowners	B.	04.0003 Owner Occupied Homeowners

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Homeowners Form 3	16.2%	6.4%					
TOTAL OVERALL EFFECT*		5.9%					

*Total effect includes premium from miscellaneous coverages

6. 5 Year History Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2013	4,216	+15%	3/1/2013	4,294	1,869	43.5%	
2012	5,066	N/A	N/A	4,115	2,643	64.2%	43.5%
2011	4,329	+10%	12/15/2011	2,983	4,014	134.6%	58.9%
2010	3,133	+10%	7/1/2010	1,857	1,326	71.4%	39.5%
2009	1,570	N/A	N/A	674	404	59.9%	64.3%
2008	332	N/A	N/A	85	92	107.4%	110.4%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	22.8%
B. General Expense	5.3%
C. Taxes, License & Fees	3.8%
D. Underwriting Profit & Contingencies	8.6%
E. Other (reinsurance)	1.8%
F. TOTAL	42.3%

8. N Apply Lost Cost Factors to Future filings? (Y or N)

9. 6.4% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): _____

10. 0% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): _____

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

On February 14, 2014, Republic Underwriters Insurance Company submitted a rate change request for its Homeowners program. The filing was for a +13.3% change based on an indication of +27.2%. Subsequently, on February 24, we were advised to withdraw the filing and re-file in 6 months with updated information.

Due to the large rate need and our continued lack of profitability, we feel a delay of another six months would put undo financial stress on our Arkansas program. Therefore, we have updated the rate indications with data through 2013 and are requesting a more modest change of 5.9%. The revised indication is +16.2%. This filing proposes a uniform base rate increase across all territories.

In support of the rate level revision, we have attached exhibits of our Homeowner's experience in Arkansas, which is based on 5 years of loss and premium experience from 2009-2013, as of December 31, 2013. The indication excludes business being written through Southern States General Agency (SSGA). SSGA no longer writes homeowner's policies through RUIC.

The proposed effective date for implementing these changes is May 15, 2014 for new business and June 15, 2014 for renewal business.

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Table of Contents

Attachments in support of this filing:

Explanatory Memorandum

Exhibit I: Indication

Exhibit II: Premium Trend & Rate Change History

Exhibit III: Loss Development

Exhibit IV: Loss Trend

Exhibit V: Loss Adjustment Expense (LAE)

Exhibit VI: Expected Catastrophe Loss and LAE Ratio

Exhibit VII: Permissible Loss and Loss Adjustment Expense Ratio

Exhibit VIII: Credibility of Experience

Exhibit IX: Return on Equity Calculation

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Exhibit I presents Republic experience in Arkansas for each of the last five accident years ending December 31, evaluated as of 12/31/2013. Loss data excludes catastrophes. Other adjustments to the data are also described below. The indicated rate level change is developed in this exhibit using the standard loss ratio method. The filed rate level change is also provided.

Exhibit II provides the calculation of Republic premium trend factors for Arkansas. These factors reflect increasing amounts of insurance and other distributional changes. The average earned premium at present rates, shown in column 2, has been fit to an exponential model using 16-, 12-, 8-, and 4-point values. The selected annual trend value is shown on this exhibit. Premium trend factors are derived by indexing historical premium levels to the current year and then projecting the selected annual trend factors to the average earned date of the proposed policy period.

To adjust for prior rate changes, historical premium is brought to the present rate level using the parallelogram method. Historical rate changes are shown on page 2 of Exhibit II.

Exhibit III displays the calculation of Republic Group Countrywide loss development factors. Loss data used for these calculations are net of salvage/subrogation and exclude catastrophes and mold losses. Due to the similarity of Homeowners development between different states, countrywide data were used to reduce volatility and provide more credible development factors.

Exhibit IV shows the loss trend underlying the rate level indication. Various exponential fits including 16, 12, 8, and 4 points are shown. The selected historical trend factor and projected trend factor are based on the results of these exponential fits. A loss trend was selected using industry (ISO Fast Track) data and Republic experience.

Exhibit V develops the loss adjustment expense (LAE) factor used in calculating the indication in Exhibit I. Republic Arkansas and Countrywide data are used to calculate the Allocated LAE factor. The Unallocated LAE factor is based on Republic Countrywide data for calendar years 2008 - 2012 using the consolidated Insurance Expense Exhibit, Part III, Line 4.

Exhibit VI provides the data and calculation of the catastrophe loss and LAE ratio used to determine the indication in Exhibit I. Republic's Oklahoma homeowner experience is considered in selecting the catastrophe provision due to the lack of experience in Arkansas. Non-hurricane catastrophe losses and total direct earned premiums from the past twenty years in Oklahoma are used to calculate an average non-hurricane catastrophe loss ratio, which is then compared to Arkansas experience for reasonableness.

FILING MEMORANDUM
Arkansas Homeowners HO-3
Republic Underwriters Insurance Company (RUIC)

Exhibit VII shows the development of the permissible loss and LAE ratio. General and Other Acquisition Expenses are based on Republic Group Countrywide data from the Insurance Expense Exhibit while all other data are based on Arkansas experience for Republic from Page 15 of the Annual Statement. A 4% fixed expense trend was applied to the Fixed Expenses to adjust for the cost of these services over the projected policy period. The premium received from policy fees has been removed from the expense load. The marginal cost of reinsurance, calculated on page 2, Exhibit VII, is included as an expense. Marginal cost means the charge for the coverage over and above the expected losses included in the rate indication. The calculation of the Profit and Contingencies Provision is provided on Exhibit IX.

Exhibit VIII details the calculation of credibility assigned to the rate indications developed in Exhibit I. The calculation is based on the claim standard of 1,082 claims providing a 90% chance of being within 5% of the mean.

Exhibit IX develops the investment income generated from held reserves used in calculating the underwriting profit provision incorporated in the rate indications. The return on investment income is based on the average of 2011 and 2012. A total after-tax return on equity of 12.0% is targeted.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined xSSGA
Statewide Rate Level Indications

Exhibit I

Data as of: Dec-13

Proposed Effective Dates
New: 5/15/2014
Renewal: 6/15/2014

Republic Group Of Insurance Companies

Losses

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fiscal Year	Non-Cat	Catastrophe	Development	Ultimate	Current	Projection	Trended Ult
Ending December	Incurred		Factor	Non-Hurr Cat Adjusted	Cost Factors	Factor 6/15/2015	Non-Hurr Cat Adjusted
2009	180,741	121,729	1.003	262,861	1.170	1.080	332,032
2010	364,001	163,572	1.003	529,385	1.125	1.080	642,971
2011	1,450,886	1,916,093	1.003	2,110,096	1.082	1.080	2,464,274
2012	1,271,900	491,029	1.008	1,859,037	1.040	1.080	2,087,572
2013	1,547,748	2,549	1.079	2,420,577	1.000	1.080	2,613,599

Premiums & Loss Ratio

	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Earned Premiums							Trended	
Fiscal Year	Actual	Onlevel Factor	at Current Rate	Current Amount Factors	On-Level at Current Amounts	Projection Factor 6/15/2015	Trended at Current Rate Level	Ultimate On-Level Loss Ratio	Weights
2009	483,293	1.392	672,502	0.931	625,811	0.981	613,628	54.1%	0.10
2010	1,330,592	1.378	1,833,427	0.964	1,768,032	0.981	1,733,612	37.1%	0.15
2011	2,133,680	1.284	2,740,159	0.981	2,687,780	0.981	2,635,454	93.5%	0.20
2012	2,982,008	1.210	3,607,045	0.993	3,582,570	0.981	3,512,824	59.4%	0.25
2013	3,477,480	1.107	3,849,145	1.000	3,849,145	0.981	3,774,209	69.2%	0.30

Indication

		(25)	(25b)
(17) Premium Weighted Projected Loss Ratio	65.3%	Accident Year	Total Number of Claims
(18) Loss Adjustment Expense as % of Incurred Losses	11.0%		Earned House Years
(19) Weighted Loss & LAE Ratio	72.5%	2009	41
(20) Fixed Expense Ratio	9.3%	2010	86
(21) Permissible Loss & LAE Ratio	68.5%	2011	140
(22) Indicated Change before Credibility Weighting	19.4%	2012	198
(23) Compliment to Credibility	6.1%	2013	160
(24) Credibility Table Value	0.760		

(26) Indicated Statewide Rate Level Change 16.2%

(27) Selected Statewide Rate Level Change 5.9%

Notes:

- (3) is from Exhibit III.
(4) = (1) x (3) x Non-Hurr Cat Factor of 1.450. (see Exhibit VI)
(5) is from Exhibit IV.
(6) is from Exhibit IV.
(7) = (4) x (5) x (6).
(9) is from Exhibit II, Page 2.
(10) = (8) x (9).
(11) is from Exhibit II.
(12) = (10) x (11).
(13) is from Exhibit II.
(14) = (12) x (13).
(15) = (7) / (14).
(17) = premium weighted average of (15).
(18) is from Exhibit V.
(19) = (17) x [1.000 + (18)].
(20) is from Exhibit VII.
(21) is from Exhibit V and Exhibit VII.
(22) = { [(19) + (20)] / [(21)] } - 1
(23) is [(1.04) / (0.99)] ^ 1.21 Years
(24) = [(Total of (25b) / 1082] ^ 0.5. See Exhibit VIII, .
(26) = [(22) x (24)] + (23) x [1.000 - (24)].
(27) is selected by the Republic group and includes misc. coverages.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined xSSGA

Exhibit II
Page 1

Premium Trend Development

Year-Qtr	Rolling 4 Quarter Basis		
	(1)	(2)	(3)
	Earned Exposures	Current Level Earned Prem	Average Earned Prem
2009-3	404	463,532	1,149
2009-4	597	672,502	1,127
2010-1	830	917,089	1,105
2010-2	1,100	1,204,722	1,095
2010-3	1,396	1,521,704	1,090
2010-4	1,685	1,833,427	1,088
2011-1	1,940	2,099,491	1,082
2011-2	2,163	2,332,079	1,078
2011-3	2,367	2,539,371	1,073
2011-4	2,562	2,740,159	1,069
2012-1	2,783	2,970,099	1,067
2012-2	3,010	3,201,709	1,064
2012-3	3,233	3,428,921	1,061
2012-4	3,415	3,607,045	1,056
2013-1	3,555	3,726,374	1,048
2013-2	3,644	3,811,538	1,046
2013-3	3,675	3,846,474	1,047
2013-4	3,669	3,849,145	1,049

Average Earned Date	(4) Average Earned Prem	(5) Premium Index	Premium Trend	
7/1/2009	1,127	0.931	4-point	0.11%
7/1/2010	1,088	0.964	8-point	-1.19%
7/1/2011	1,069	0.981	12-point	-1.29%
7/1/2012	1,056	0.993	16-point	-1.43%
7/1/2013	1,049	1.000	(6) Selected	-1.00%

Years From Midpoint Of Latest Year's Data	
(7) To 12 Months Past Renewal	1.9
(8) Premium Projection Factor	0.981

Notes:

(3) = (2)/(1).

(4) from respective quarters in (3).

(5) = Last Period of (4) / (4).

(8) = (1+(6))^(7)

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Rate History

Exhibit II
Page 2

Date of Change	Statewide Change All Tiers
2/1/2008	Initial Filing
8/1/2010	10.0%
1/15/2012	10.0%
4/1/2013	15.0%

Fiscal Year Ending December	On-Level Factor
2009	1.392
2010	1.378
2011	1.284
2012	1.210
2013	1.107

Republic Underwriters Insurance Company
Countrywide Homeowners
All Tiers Combined xSSGA

Exhibit III

State Of: **Arkansas**

Rolling Accident Year Selected Loss Development Factors to Ultimate
(Based on Countrywide Homeowners Data of the Republic group as of 12/2013, Excl. Cats and Mold)

Triangle of Incurred Losses

Accident Year Ending December	12	24	36	48	60	72	84	96
2002	12,871,134	14,025,171	14,654,750	14,647,024	14,688,718	14,698,320	14,709,061	14,711,311
2003	14,959,440	16,860,114	16,838,498	16,839,623	16,906,147	16,869,524	16,869,524	16,859,574
2004	11,769,122	12,378,216	12,390,087	12,408,162	12,470,143	12,451,469	12,467,902	12,464,352
2005	13,671,636	14,208,314	14,146,462	14,239,758	14,241,020	14,242,527	14,250,707	14,247,710
2006	16,704,950	17,768,362	17,813,915	17,693,228	17,711,138	17,720,432	17,729,266	17,725,573
2007	20,431,179	21,123,911	21,056,243	20,957,505	20,993,231	20,997,706	20,960,480	
2008	24,401,422	25,151,717	25,226,233	25,287,188	25,282,199	25,256,845		
2009	30,373,597	31,653,341	31,476,112	31,438,526	31,506,635			
2010	27,560,764	29,811,812	29,899,574	29,959,602				
2011	24,704,805	27,878,348	28,089,644					
2012	22,949,358	24,577,131						
2013	22,926,691							

Triangle of Link Ratios:

Accident Year Ending December	12 : 24	24 : 36	36 : 48	48 : 60	60 : 72	72 : 84	84 : 96
2002	1.090	1.045	0.999	1.003	1.001	1.001	1.000
2003	1.127	0.999	1.000	1.004	0.998	1.000	0.999
2004	1.052	1.001	1.001	1.005	0.999	1.001	1.000
2005	1.039	0.996	1.007	1.000	1.000	1.001	1.000
2006	1.064	1.003	0.993	1.001	1.001	1.000	1.000
2007	1.034	0.997	0.995	1.002	1.000	0.998	
2008	1.031	1.003	1.002	1.000	0.999		
2009	1.042	0.994	0.999	1.002			
2010	1.082	1.003	1.002				
2011	1.128	1.008					
2012	1.071						

Averages

Total	1.069	1.005	1.000	1.002	1.000	1.000	1.000
Last 3	1.094	1.002	1.001	1.001	1.000	1.000	1.000
Last 5 xhl	1.065	1.001	0.999	1.001	1.000	1.000	1.000

	12 : 24	24 : 36	36 : 48	48 : 60	60 : 72	72 : 84	84 : 96	"Tail" 87:Ult
Selected	1.070	1.005	1.000	1.000	1.000	1.000	1.000	1.000
LDF's to Ult:	1.079	1.008	1.003	1.003	1.003	1.003	1.003	1.003

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined xSSGA

Exhibit IV

Loss Trend Development		Rolling 4 Quarter Basis				Countrywide					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Year-Qtr	Ultimate Counts	Ultimate Losses	Earned Exposures	Ult. Counts	Ult. Losses	Frequency	Severity	Pure Premium	Fast Track Frequency	Fast Track Severity	Fast Track Pure Premium
2009-2	9	67,439	261	19	160,492	0.0728	8,447	615	0.0453	8,290	375
2009-3	9	41,472	404	27	192,598	0.0669	7,133	477	0.0450	8,449	380
2009-4	17	57,780	597	41	180,799	0.0687	4,410	303	0.0459	8,370	385
2010-1	15	34,976	830	50	201,667	0.0602	4,033	243	0.0452	8,408	380
2010-2	25	153,447	1,100	66	287,675	0.0600	4,359	261	0.0453	8,352	379
2010-3	20	46,872	1,396	77	293,076	0.0552	3,806	210	0.0461	8,328	384
2010-4	26	129,069	1,685	86	364,365	0.0510	4,237	216	0.0463	8,425	390
2011-1	27	350,325	1,940	98	679,713	0.0505	6,936	350	0.0473	8,469	401
2011-2	34	593,998	2,163	107	1,120,264	0.0495	10,470	518	0.0481	8,548	411
2011-3	46	341,082	2,367	133	1,414,473	0.0562	10,635	598	0.0478	8,684	415
2011-4	33	166,933	2,562	140	1,452,337	0.0546	10,374	567	0.0475	8,750	416
2012-1	37	199,598	2,783	150	1,301,610	0.0539	8,677	468	0.0460	8,835	406
2012-2	31	443,842	3,010	147	1,151,455	0.0488	7,833	382	0.0443	8,951	396
2012-3	43	152,899	3,233	144	963,272	0.0445	6,689	298	0.0427	9,123	390
2012-4	87	477,581	3,415	198	1,273,921	0.0581	6,425	373	0.0416	9,231	384
2013-1	40	207,852	3,555	202	1,282,175	0.0567	6,361	361	0.0414	9,288	384
2013-2	55	740,833	3,644	226	1,579,165	0.0619	7,001	433	0.0408	9,385	383
2013-3	44	212,437	3,675	227	1,638,703	0.0618	7,219	446	0.0402	9,427	379
2013-4	26	547,402	3,669	166	1,708,524	0.0452	10,300	466			

	Frequency	Severity	Pure Premium	Fast Track Frequency	Fast Track Severity	Fast Track Pure Premium
4-point*	-27.29%	59.07%	31.78%	-4.73%	2.94%	-1.79%
8-point*	4.32%	4.37%	8.69%	-9.51%	4.51%	-5.00%
12-point*	2.47%	-7.59%	-5.12%	-6.99%	4.46%	-2.53%
16-point*	-1.00%	15.95%	14.95%	-3.71%	3.68%	-0.03%

** Ending 3rd Qtr 2013

(12) Selected Historical Trend	0.00%	4.00%	4.00%
(13) Selected Future Trend	0.00%	4.00%	4.00%

Notes:

(3), (4), (5) are on a four quarter rolling basis.

(6) = (4)/(3).

(7) = (5)/(4).

(8) = (6) x (7).

(9), (10), (11) from Fast Track Circular.

(14) = (1+Pure Premium from (13))^2

	Midpoint of latest year	1 yr past Renewal	
Project from	7/1/2013 ----->	6/15/2015	2.0 yrs.
(14) Loss Projection Factor			1.080

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined
Loss Adjustment Expense

Exhibit V

Development of Allocated Loss Adjustment Expense (ALAE) Provision as a Percent of Incurred Losses
(Source of Data: Page 15)

Arkansas Data

Calendar Year	(1) Incurred Losses	(2) Incurred ALAE	(3) = (2) / (1) ALAE Percentage
2009	472,664	7,887	1.7%
2010	1,384,909	37,060	2.7%
2011	4,552,290	79,951	1.8%
2012	2,231,665	31,744	1.4%
Total:	8,641,528	156,642	1.9%

Countrywide Data

Calendar Year	(1) Incurred Losses	(2) Incurred ALAE	(3) = (2) / (1) ALAE Percentage
2008	145,062,662	3,009,331	2.1%
2009	83,852,826	2,033,544	2.4%
2010	50,981,816	1,618,389	3.2%
2011	73,817,232	2,192,594	3.0%
2012	52,792,281	1,800,316	3.4%
Total:	406,506,817	10,654,174	2.8%

Selected ALAE Provision as a Percent of Incurred Losses: 2.8%

Development of Unallocated Loss Adjustment Expense (ULAE) Provision as a Percent of Incurred Loss
(Source of Data: Insurance Expense Exhibits)

Countrywide Data

Calendar Year	(1) Incurred Loss (000's)	(2) Incurred ULAE (000's)	(3) = (2) / (1) ULAE Percentage
2008	145,062	15,211	10.5%
2009	83,853	12,498	14.9%
2010	50,983	5,133	10.1%
2011	73,818	4,833	6.5%
2012	52,791	2,979	5.6%
Total:	406,507	40,654	8.2%

Selected ULAE Provision as a Percent of Incurred Loss: 8.2%

Selected LAE Provision as a Percent of Incurred Loss: 11.0%

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3) xSSGA
All Tiers Combined

Exhibit VI

Expected Non-Hurricane Catastrophe Provision
(000 omitted)

Arkansas Homeowners xSSGA

Fiscal Year Ending December	Non-Cat Ult Loss	Non-Hurricane Catastrophe Inc Losses	Non-Hurricane Catastrophe Factor
2008	79	13	0.161
2009	181	122	0.673
2010	364	164	0.450
2011	1,452	1,922	1.323
2012	1,274	494	0.388
2013	1,709	3	0.001
Total	5,059	2,717	0.537

Average Catastrophe Factor : 0.499

AR HO Selected Catastrophe Factor : 0.450

Oklahoma Homeowners'

Fiscal Year Ending December	Non-Cat Ult Loss	Non-Hurricane Catastrophe Inc Losses	Non-Hurricane Catastrophe Factor
1994	926	431	0.4651
1995	1,495	465	0.3110
1996	1,232	149	0.1208
1997	1,107	254	0.2292
1998	1,823	303	0.1664
1999	1,072	-	0.0000
2000	1,205	49	0.0410
2001	1,339	1,213	0.9056
2002	1,460	430	0.2948
2003	3,024	3,097	1.0239
2004	2,976	621	0.2086
2005	2,476	1,512	0.6109
2006	5,020	659	0.1313
2007	3,464	4,050	1.1690
2008	3,286	9,202	2.8002
2009	4,155	1,581	0.3804
2010	3,906	1,870	0.4787
2011	4,870	3,784	0.7770
2012	3,573	3,012	0.8431
2013	2,599	10,600	4.0778

¹ Written in Southern Underwriters & Republic Fire and Casualty Insurance Companies

Average Catastrophe Factor : 0.752
10-Year Average Catastrophe Factor: 1.148
5-Year Average Catastrophe Factor: 1.311
OK HO Selected Catastrophe Factor: 0.752

Note: Republic's Oklahoma experience was considered in selecting the catastrophe provision due to the lack of experience in Arkansas

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3)
All Tiers Combined xSSGA

Exhibit VII
Page 1

Permissible Loss and Loss Adjustment Expense Ratio

Expenses	2010	2011	2012	Selected
Fixed				
General Expense ¹ :	5.2%	5.0%	5.6%	5.3%
Other Acquisition ¹ :	5.3%	5.1%	6.0%	5.5%
Policy Fees Received ² :	(0.3%)	(0.5%)	(0.4%)	(0.4%)
Total Fixed Expenses :	10.2%	9.6%	11.2%	10.4%
AR Homeowners Earned Premium	1,330,592	2,133,680	2,982,008	
Fixed Expense \$ Amount	136,240	205,294	333,146	
Fixed Expense Trend @ 4% Annual	1.203	1.157	1.112	
Trended Fixed Expenses	163,879	237,445	370,460	350,677
AR HO Projected Earned Premium	1,833,427	2,740,159	3,607,045	3,774,209
Proj. Fixed Expense as % of Premium	8.9%	8.7%	10.3%	9.3%
Variable				
Commission and Brokerage ³ :	17.8%	17.5%	17.3%	17.3%
Taxes, Licenses, and Fees ³ :	3.2%	3.8%	3.8%	3.8%
Profit and Contingencies Provision ⁴ :				8.6%
Cost of Reinsurance 2013				1.8%
Total Variable Expenses :	29.6%	29.9%	29.7%	31.5%
Total Expense Provision :	38.5%	38.6%	40.0%	40.8%
Permissible Loss & LAE Ratio :				59.2%
Variable Expense Ratio :				31.5%
Variable Permissible Loss & LAE Ratio :				68.5%

¹ Insurance Expense Exhibit, Part III; as a percent of Earned Premium

Other Acquisition: Insurance Expense Exhibit, Part III; as a percent of Written Premium

² as a percent of Earned Premium

³ Annual Statement, Page 15, State of Arkansas; as a percent of Written Premium

⁴ Exhibit IX, Page 1

Cost of Reinsurance 2013

Reinsurance Layer	Reinsurance Limit	2013 Property Reinsurance Cost Companywide	2013 Property Reinsurance Cost Arkansas HO	AR HO Reins. Cost as a % of Premium*
Per Risk Excess of Loss Reinsurance:				
1st Layer	4M xs 1M	5,086,256	8,284	
2nd Layer	10M xs 5M	243,663	-	
(A) Per Risk Excess Reinsurance Total Cost		5,329,919	8,284	
(B) Estimated Reinsurer Profit, Expense, & Risk Load			2,485	0.07%
Catastrophe Reinsurance:				
		2013 CAT Reins. Cost Companywide	2013 CAT Reins. Cost Arkansas HO	
1st Layer	20M xs 20M 2 Events	6,436,160	64,369	
2nd Layer	60M xs 40M 2 Events	10,588,523	34,267	
3rd Layer	75M xs 100M 2 Events	7,396,401	7,257	
4th Layer	125M xs 175M 1 Event	3,892,842	3,820	
(C) Cat Reinsurance Total Cost		28,313,925	109,713	
(D) AIR CLASIC v12.0 avg annual Severe Storm Loss & LAE		Companywide 21,559,245	Arkansas HO 1,010,794	
(E) Projected Cat Losses Excess of \$20M Retention			44,291	
(F) Estimated Reinsurer Profit, Expenses & Risk Load (C) - (E)			65,422	1.8%
(B) + (F) Property Reinsurance Cost Over Expected Premium:			67,907	1.8%

* Reinsurance Cost is expressed as a percentage of projected 2013 Arkansas Homeowners Earned Premium.

Allocation of Companywide Catastrophe Reinsurance Cost

Modeled Hurricane and Severe Thunderstorm Losses & LAE

(1)	(2)	(3)
All States All Lines	Arkansas Homeowners	Modeled Loss Allocation
21,559,245	1,010,794	4.7%

Catastrophe Reinsurance Cost:

	(4)	(5)	(6)
	Companywide Cat Reins.	% Arkansas Homeowners	Arkansas Cat Reins.
1st Layer 20M xs 20M	6,436,160	1.0%	64,369
2nd Layer 60M xs 40M	10,588,523	0.3%	34,267
3rd Layer 75M xs 100M	7,396,401	0.1%	7,257
4th Layer 125M xs 175M	3,892,842	0.1%	3,820
Cat Reinsurance Cost Total	28,313,925	0.4%	109,713

(1) Average annual losses based on the Applied Insurance Research model methodology and assumptions; using policies in force on 6/30/2012.

(2) Average annual losses for Arkansas Homeowners

(3) = (2) / (1)

(4) Companywide catastrophe reinsurance cost for 2013, includes reinstatement premiums.

(5) = (6) / (4)

(6) Arkansas Homeowners catastrophe reinsurance cost for 2013, includes reinstatement premiums.

Republic Underwriters Insurance Company
Arkansas Homeowners (HO-3) xSSGA
All Tiers Combined
Assignment of Credibility

Exhibit VIII

<hr/>	
Fiscal Year Ending December	Number of Claims
2009	41
2010	86
2011	140
2012	198
2013	160
<hr/>	
(1) Total Number of Claims :	625
(2) Claim Standard for Full Credibility ¹ :	1,082
(3) Assigned Credibility $((1) / (2))^{0.5}$, maximum 100%	76.0%

¹ Frequency only; within 5% with 90% confidence

Calculation of After-tax Return on Equity

$$\begin{aligned} \text{After-tax Return on Equity} = & \text{After-tax return on surplus} \\ & + (\text{Premium} / \text{Surplus}) \times \text{After-tax Return on Reserves} \\ & + (1 - \text{tax rate}) \times (\text{Premium} / \text{Surplus}) \times (\text{targeted pre-tax underwriting profit}) \end{aligned}$$

(1) After-Tax return on investment earnings	1.5%
(2) Tax rate	35.0%
(3) Premium / surplus ratio	1.7
(4) Return on reserves, after tax	0.6%
(5) Targeted pre-tax underwriting profit	8.6%
(6) After-Tax Return on Equity	12.0%
$(1) + (3) \times (4) + [(1 - (2)) \times (3) \times (5)]$	

(1) Exhibit IX, Page 4

(4) Exhibit IX, Page 2 & Page 3

Estimated Investment Earnings On Loss & Loss Adjustment Expense Reserves

1. Loss and Loss Adjustment Expense Reserves as of December 31, 2011 (a)	\$17,367,216
2. Loss and Loss Adjustment Expense Reserves as of December 31, 2012 (a)	\$14,580,838
3. Mean Loss and Loss Adjustment Expense Reserves $[(1) + (2)] / 2$	\$15,974,027
4. Actual Incurred Loss and Loss Adjustment Expenses (b), (d) [$1.0929 \times 48,835,938$]	\$53,372,797
5. Average period \$1.00 of Loss and LAE remains in reserves (in years) $[(3) / (4)]$	0.299
6. Average Rate of Return on Invested Income (c)	1.52%
7. Expected investment earnings on \$1.00 of Loss and LAE while in reserves $[(1+(6))^{(5)} - 1]$	\$0.0045
8. Expected Loss and LAE Ratio = $(1.000 - \text{Expense Ratio})$ (e)	59.2%
9. Estimated Investment Earnings as a percentage of Net Earned Premium $[(7) * (8)]$	0.27%

- a. Source: Annual Statement, Part 2a, Column 8 + Column 9, Line 4
- b. Source: Annual Statement, Part 2, Column 7, Line 4
- c. Source: Exhibit IX, Page 4
- d. Sources: LAE factor, from the 2012 year-end D.O. Statement
- e. Source: Exhibit VII Page 1

Estimated Investment Earnings On Unearned Premium Reserves

		(h)		
		Installment	Prepaid	Total
1.	Homeowners Unearned Premium Reserve as of December 31, 2011 (a)	51,277,112	11,126,401	62,403,513
2.	Homeowners Unearned Premium Reserve as of December 31, 2012 (a)	47,477,499	10,365,394	57,842,893
3.	Mean Homeowners Unearned Premium Reserve $[(1)+(2))/2]$	49,377,306	10,745,898	60,123,203
4.	Reduction Due to Booking Installment as Full (b)	23,404,843	xxxxxxxx	23,404,843
5.	Net Mean Homeowners Unearned Premium Reserve	25,972,463	10,745,898	36,718,360
6.	Percentage of Prepaid Expenses (c)			
(A)	Commissions and Brokerages (/W.P.)	17.3%		
(B)	Taxes, Licenses, & Fees (/W.P.)	3.8%		
(C)	50% of Other Acq. & Gen. Expense (/E.P.)	5.4%		
(D)	Total Prepaid Expenses $[(A)+(B)+(C)]$			26.5%
7.	Agents' balances as of December 31, 2011 (d)			87,779,260
8.	Agents' balances as of December 31, 2012 (d)			82,695,936
9.	Mean Agents' Balances $[(7)+(8))/2]$			85,237,598
10.	All lines Net Earned Premium for 2012 (e)			328,728,100
11.	Factor Representing Delayed Remission of Premium $[(9)/(10)]$			0.259
12.	Net Mean Homeowners Unearned Premiums Subject to Investment $[(5) \times \{1.0 - (6D)\} \times \{1.0 - (11)\}]$			19,998,104
13.	Average Rate-of-Return on Investible Income (f)			1.52%
14.	Estimated Investment Earnings on Unearned Premium Reserves $[(12) \times (13)]$			304,396
15.	Homeowners Net Earned Premium for 2012 (g)			93,090,876
16.	Estimated Investment Earnings as a Percentage of Homeowners Net Earned Premiums $[(14)/(15)]$			0.33%

a) A. S., Part 2, Line 4, Columns 2 & 3

b) Installment Plan calls for 25% due on Effective Date, payments thereafter in the 3rd, 5th 7th, & 9th months.
By comparison, it can be shown that the average monthly unearned premium reserve on the installment plan is 28.47% of the written, while that on the prepaid basis is 54.17%. Hence, a reduction in the unearned premium reserve of 47.4% is appropriate on installment business $[(54.17-28.47)/54.17]$.

c) See Exhibit VII, Page 1

d) A. S., Page 2, Line 13.1 + Line 13.2

e) A. S., Part 2, Column 4, Line 32

f) Exhibit IX, Page 4

g) A. S., Part 2, Column 4, Line 4

Calculation of After-tax Return on Equity

	Southern	Republic- Vanguard	Republic Underwriters	Republic Lloyds	Southern Underwriters	Republic Fire & Cas.	Southern Cnty Mutual	Grand Total	
Investment Income Calendar Year 2012 (2012 AS)									
(1) Net Investment Income (Page 12, Line 17)	907,281	486,593	17,308,057	96,870	128,472	164,595	0	19,091,868	
(2) Common stock of affiliates (Page 12, Col. 1, Line 2.21)	0	0	5,973,400	0	0	0	0	5,973,400	
(3) Net Investment Income after consolidation (1) - (2)	907,281	486,593	11,334,657	96,870	128,472	164,595	0	13,118,468	(A)
Capital Gains Calendar Year 2011 (2011 AS)									
(4) Net Realized Capital Gains after Tax (Page 4, Line 10, Col. 1)	11,156	78,178	5,450,246	8,186	82,412	18,469	22,950	5,671,597	
(5) Net Unrealized Capital Gains after Tax (Page 4, Line 24, Col. 1)	825	0	561,160	0	0	0	1,250	563,235	
(6) Total Net Capital Gains after Tax (7) + (8)	11,981	78,178	6,011,406	8,186	82,412	18,469	24,200	6,234,832	(B)
Capital Gains Calendar Year 2012 (2012 AS)									
(7) Net Realized Capital Gains after Tax (Page 4, Line 10, Col. 1)	899,537	711,743	14,164,637	21,694	245,953	296,412	1,365,089	17,705,065	
(8) Net Unrealized Capital Gains after Tax (Page 4, Line 24, Col. 1)	0	0	-849,658	0	0	0	0	-849,658	
(9) Total Net Capital Gains after Tax (7) + (8)	899,537	711,743	13,314,979	21,694	245,953	296,412	1,365,089	16,855,407	(C)
Invested Assets as of 12/31/2011 (2011 AS)									
(10) Total Invested Assets (Page 2, Line 12, Col 3)	49,637,752	23,321,076	523,103,885	12,677,213	5,507,508	8,602,313	31,841,867	654,691,614	
(11) Value of consolidated affiliates (Page S104, Line 24, Col 2 - SchD)	0	0	91,216,844	0	0	0	0	91,216,844	
(12) Net invested assets after consolidation (13) - (14)	49,637,752	23,321,076	431,887,041	12,677,213	5,507,508	8,602,313	31,841,867	563,474,770	(D)
Invested Assets as of 12/31/2012 (2012 AS)									
(13) Total Invested Assets (Page 2, Line 12, Col 3)	39,852,208	24,450,075	524,716,224	12,025,812	5,477,822	8,339,982	32,002,095	646,864,218	
(14) Value of consolidated affiliates (Page S104, Line 24, Col 2 - SchD)	0	0	89,929,483	0	0	0	0	89,929,483	
(15) Net invested assets after consolidation (13) - (14)	39,852,208	24,450,075	434,786,741	12,025,812	5,477,822	8,339,982	32,002,095	556,934,735	(E)
Capital Gains Rate of Return (After-Tax):									
		2.06%		(F)=((B)+(C)) / ((D)+(E))					
Investment Income Rate of Return (Pre-Tax):									
		2.34%		(G) = (A) / (Avg ((D) , (E)))					
Effective Tax-Rate in Investment Earnings:									
		0.35		(H)					
Rate of Return (After-Tax) on Investment Income:									
		1.52%		(I) = (G) x (1.000 - (H))					

Notes:

Item (1) is net of investment expenses.

Items (5) and (8) are valued at Market.

This is appropriate as this is how these items are carried in (4) and (7) respectively.